

Procedure No. 4-09
CITYWIDE RISK ASSESSMENT

Determining which areas to audit and allocating scarce audit resources to those areas is key to a successful internal audit function. To assess the relative importance of potential audit subjects, the City Auditor's Office prepares an annual risk assessment model of the City's budgeted programs and revenue sources. For each of 300 specific budgeted programs or revenue sources, the model compares the following factors:

- proposed expenditures,
- estimated revenues,
- fund type,
- capital expenditures,
- estimated revenues
- three-year revenue trend,
- number of staff,
- estimated beginning fund balance,
- value of fixed assets,
- date of audit request, and
- date of last audit.

For each specific budgeted program or revenue source, the model scores each of the above factors from 0 through 10 based on a series of tables the City Auditor designed. In addition, the City Auditor weights each of the above factors from 1 to 5 according to their relative importance to produce a weighted score for each budgeted program or revenue source. The model then sorts these weighted scores from highest to lowest and recommends that the City Council Finance Committee include in the City Auditor's Annual Audit Workplan those budgeted programs or revenue sources with the highest weighted scores. Because the City Auditor applies this scoring system evenly across the entire citywide organization, it promotes a sense of fairness to auditees and helps ensure that audit resources will be focused on those areas with the highest audit potential.